

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 INT-05 EB-07 COME-00 L-02 CIAE-00

INR-07 NSAE-00 OPIC-03 OMB-01 TRSE-00 /032 W

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R 211615Z FEB 75

FM AMEMBASSY FREETOWN
TO SECSTATE WASHDC 785

CONFIDENTIAL FREETOWN 0344

E.O. 11652: GDS

TAGS: EFIN, 38,9, EINV, SL, US

SUBJECT: BETHSTEEL VIEWS ON STATUS OF BETHSTEEL-GOSL NEGOTIATIONS
ON RUTILE AND IRON ORE

REF: FREETOWN 0122

1. I MET FEB 21 WITH BETHSTEEL DELEGATION CONSISTING OF
EUGENE BUCHANAN, ROBERT SLEEMAN, ART ZIMMERMAN AND SIERRA
RUTILE (SRL) RESIDENT VICE PRESIDENT DAVID FRASER. BUCHANAN SAID
DELEGATION HAD NOT ENGAGED IN SUBSTANTIVE DISCUSSIONS WITH
GOSL BUT WOULD LEAVE WITH GOSL A CLEARLY DEFINED, WRITTEN,
QUOTE ROCK BOTTOM UNQUOTE PROPOSAL OF TERMS UNDER WHICH
SRL WOULD BRING GBANGBATOK RUTILE MINE INTO PRODUCTION.
TIME COMMITMENTS OF BETHSTEEL OFFICIALS ELSEWHERE AND
ABSENCE PRESIDENT STEVENS WILL PRECLUDE RETURN FREETOWN
FOR NEGOTIATIONS BEFORE EARLY APRIL. BETHSTEEL OFFICIALS
WOULD NOT NEGOTIATE IN SIERRA LEONE WHEN STEVENS WAS OUT
OF COUNTRY.

2. ELABORATING ON STATEMENT THAT BETHSTEEL PROPOSAL
REPRESENTED "ROCK BOTTOM" POSITION, BUCHANAN SAID SRL
RUTILE OPERATION, IN FACT ALL MINING OPERATIONS,
PERIPHERAL TO BETHSTEEL'S PRIMARY CORPORATE EMPHASIS
ON PRODUCTION OF STEEL. DURING A PERIOD OF CAPITAL
SHORTAGE, IT WOULD BE DIFFICULT TO JUSTIFY CONTINUED
EXPENDITURE ON SRL PROJECT WITHOUT QUOTE DEFINITE
READING UNQUOTE OF GOSL INTENTIONS.

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3. TURNING TO IRON ORE, BUCHANAN SAID BETHSTEEL HAD RECEIVED NO REACTION TO MEMORANDUM SUBMITTED TO GOVT IN DECEMBER PROPOSING TWO YEAR BETHSTEEL OPTION TO PURCHASE ASSETS OF DELCO MINE AT MARAMPA AND BETHSTEEL OPTION TO EXPLORE AND EXPLOIT THE TONKOLILI LEASE AREA NOW HELD BY DELCO. BETHSTEEL'S POSITION ON GOVT PARTICIPATION IN IRON ORE VENTURE IS LESS FLEXIBLE THAN IN THE RUTILE PROJECT BECAUSE OF OARGER SIZE OF REQUIRED INITIAL INVESTMENT AND THE NECESSITY OF KEEPING IRON ORE AGREEMENTS ON PAR WITH TERMS OF IRON ORE CONCESSIONS IN LIBERIA. BETHSTEEL WOULD NOT BE INTERESTED IN TAKING OVER DELCO'S MARAMPA MINE, WHICH HAS ESTIMATED MAXIMUM CONTINUED LIFE OF 15 YEARS, UNLESS ASSURED OF ACCESS TO TONKOLILI DEPOSIT. BETHSTEEL PREPARED TO AGREE TO REASONABLE TIMETABLE FOR ENDING EXPLORATION AND BEGINNING EXPLOITATION OF TONKOLILI DEPOSIT AND BAGLA DEPOSIT NEAR LIBERIAN BORDER TO ALLEVIATE POSSIBLE GOSL FEARS THAT BETHSTEEL COULD "LOCK UP" SIERRA LEONE'S KNOWN IRON ORE DEPOSITS AND THEN FAIL TO DEVELOP THEM AT A PACE SATISFACTORY TO GOSL.

4. BUCHANAN INDICATED THAT PROGRESS IN IRON ORE DISCUSSIONS UNRELATED TO RUTILE VENTURE. ALTHOUGH POINT JOINING TWO WAS GENERAL GOSL MINING POLICY, EITHER PROJECT COULD MOVE FORWARD WITHOUT THE OTHER.

5. IN CONCLUSION, BUCHANAN SAID GOSL HAD OFFERED NO INDICATION OF ITS POSITION BEYOND GENERALITIES OF LONG STANDING GOSL POLICY TO EVENTUALLY OBTAIN 51 PCT EQUITY IN ALL MINING VENTURES. LACKING MORE SPECIFIC STATEMENT OF GOSL POLICY, BETHSTEEL WOULD NOT LIKELY BE WILLING OR ABLE TO RAISE CAPITAL REQUIRED FOR RUTILE OR IRON ORE VENTURES IN SIERRA LEONE.

SAMUELS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975FREETO00344
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750062-1009
From: FREETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750224/aaaaavnrtel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 FREETOWN 0122
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 AUG 2003 by ShawDG>; APPROVED <16 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BETHSTEEL VIEWS ON STATUS OF BETHSTEEL-GOSL NEGOTIATIONS ON RUTILE AND IRON ORE
TAGS: EFIN, EINV, SL, US, BETHLEHEM STEEL
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006